Supreme Court, U.S.
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No. 02-

IN THE

Supreme Court of the United States

DOUGLAS KARLSEN, TURBINE DESIGN, INC.,
PAUL ARRAY and HORIZON UNLIMITED, INC.,

Petitioners,

v.

RICHARD F. SILVA and SNA INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

This case involves an award of attorney's fees and costs to the Respondents pursuant to 15 U.S.C. § 1117(a). The district court found below that the Petitioners acted in bad faith and awarded attorneys fees under 15 U.S.C. § 1117(a) even though the Respondents did not suffer any economic loss. There is a square conflict among the courts of appeals regarding the question presented. In fact, the Third Circuit has recognized that other courts have rejected its approach. The Third Circuit concluded that a finding of bad faith alone was sufficient to award attorney's fees even in the absence of pecuniary loss, while the Federal Circuit, Ninth Circuit and the Tenth Circuit require bad faith and pecuniary loss in order to recover attorney's fees under the Lanham Act. The question presented is the following:

Whether Respondents were entitled to an award of attorney's fees under the Lanham Act when they did not suffer any ascertainable damages or pecuniary loss?

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Appendix B — Memorandum And Order Of The United States District Court For The Eastern District Of Pennsylvania Dated And Filed November 5, 2001 ..... 8a

Douglas Karlsen, Turbine Design, Inc., Paul Array and Horizon Unlimited, Inc., respectively petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Third Circuit in this case.

OPINIONS BELOW

The district court's order granting in part and denying in part the Respondents' motion for attorney's fees was published in *S.N.A., Inc. v. Array*, 173 F. Supp. 2d 347 (E.D. Pa. 2001). The Third Circuit affirmed the district court's order awarding attorney's fees and costs in *Silva v. Karlsen*, 43 Fed. Appx. 486 (3d Cir. 2002).

STATEMENT OF JURISDICTION

On August 19, 2002, the Court of Appeals affirmed the district court's order awarding attorney's fees and costs. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

The pertinent part of Title 15, § 1117(a) of the United States Code provides: "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

STATEMENT OF THE CASE

This case involves an award of attorney's fees and costs to the Respondents pursuant to 15 U.S.C. § 1117(a) and in accordance with contractual provisions between the Respondents and some but not all of the Petitioners. *SNA, Inc. v. Array*, 173 F. Supp. 2d 347 (E.D. Pa. 2001). The district

court found below that the Petitioners acted in bad faith and awarded attorneys fees under 15 U.S.C. § 1117(a) even though the Respondents did not suffer any economic loss. *Id.* at 350; *SNA, Inc. v. Array*, 51 F. Supp. 2d 554, 563 (E.D. Pa. 1999).

The Respondents in this case are Richard Silva and two companies he operates, SNA, Inc. and Silva Enterprises, Ltd. *SNA, Inc. v. Array*, 51 F. Supp. 2d 542 (E.D. Pa. 1999). The Petitioners are Douglas Karlsen and a company he operates called Turbine Design, Inc., and Paul Array and a company he operates called Horizon Unlimited, Inc. *Id.* The Respondents claimed that the Petitioners have breached contracts with SNA, have defamed Silva and his company and disparaged their goods, have infringed on their trademark and trade dress rights, have engaged in unfair competition, have interfered with the company's contractual relations and prospective business relations, and have engaged in a civil conspiracy. *Id.*

On November 30, 1991, SNA and Horizon Unlimited executed a purchase agreement, whereby Horizon Unlimited agreed to purchase a Seawind. *SNA, Inc.*, 51 F. Supp. 2d at 558. Paul Array signed the contract on behalf of Horizon Unlimited. *Id.* On November 19, 1993, Horizon Unlimited and SNA entered into a "Demonstrator Cooperation Agreement", which created an arrangement in which Horizon Unlimited would provide demonstration flights to potential Seawind purchasers in return for payment of a commission from each sale that resulted from the demonstration flight. *Id.* at 559. Array also signed that agreement on behalf of Horizon Unlimited. *Id.* Both agreements had a non-copy provision that prevented Horizon Unlimited from copying or permitting others to copy any or all of the Seawind aircraft

or its parts. *Id.* On January 27, 1995, and February 1, 1995, Karlsen signed two contracts. *Id.* These were contracts that Karlsen entered into as the builder of two Seawinds. *Id.* Each contract had a provision restricting and prohibiting the copying of parts. *Id.* The court ruled that the defendants breached the contracts by making molds of the Seawind. *Id.* at 560. The court ordered return of the molds, but did not provide a monetary damage award. *Id.*

The Respondents also sued Karlsen and Turbine Design for civil conspiracy. *Id.* at 560-561. The Court found that Turbine Design and Karlsen conspired with Glen Reece to acquire by theft parts from KNG/Ken Wheeler. *Id.* at 561. The court entered a damage award against Karlsen and Turbine Design. *Id.* However, there was no evidence to show that Array or Horizon Unlimited was involved in this action. *Id.* In fact, there was no civil conspiracy allegation in the complaint against Array or Horizon Unlimited. *Id.*

The Respondents brought a trademark infringement and unfair competition claim against the Petitioners. *Id.* at 561-562. As the court ruled in the preliminary injunction, the Respondents had a common law trademark in the word "Seawind". *Id.* Respondents brought a claim for false designation under § 43(a) of the Lanham Act. 15 U.S.C. § 1125(a). *Id.* at 561. The court found that Horizon Unlimited's use of Seawind.net as its Internet domain name was highly likely to cause confusion and therefore permanently enjoined Horizon Unlimited from using that domain name. *Id.* at 562-563. Further, the Court enjoined the defendants from meta tagging their web site with the term Seawind. *Id.* However, the court found that Turbine Design's use of the term "Turbine Seawind" was not likely to cause confusion. *Id.* at 563.

Therefore, the plaintiffs did not prevail in their trademark and unfair trade practices claim against Karlsen and Turbine Design for the use of the term "Turbine Seawind". *Id.* at 569.

The Respondents also brought claims for violation of trade secrets, trade dress infringement, defamation and commercial disparagement. *Id.* at 562-567. The Respondents did not prove all of these claims. *Id.* at 569. In sum, the Respondents proved that the contracts were breached and the molds would be returned. *Id.* The Respondents further proved that Karlsen and Turbine Design conspired to steal parts from them. *Id.* However, the Respondents have not proved damages from any defamation and disparagement and that the use of the terms "Turbine Seawind" or "The Seawind Builders Newsletter" constitute unfair trade practices, but they have proved that the use of "Seawind.net" as a domain name and meta tagging the site with the word "Seawind" are. *Id.* As a result, the plaintiffs were not the prevailing party on all of their claims.

Essentially, the Respondents claimed that they were entitled to the reimbursement of attorney's fees and costs for bringing their cause of action, based upon contractual provisions. *SNA, Inc.*, 173 F. Supp. 2d at 350. The Respondents further claimed that they were entitled to attorney's fees pursuant to the Lanham Act, and costs for bringing their action against Petitioners. *Id.* However, the Petitioners asserted that the Respondents were not entitled to an award of attorney's fees pursuant the Lanham Act, because the Respondents failed to prove that they suffered any economic loss under the Lanham Act claims. *Id*; *see also Silva v. Karlsen*, 43 Fed. Appx. 486, 487 (3d Cir. 2002).

On June 9, 1999, the district court entered the final judgment in the case at bar. *SNA, Inc.*, 51 F. Supp. 2d 554. Respondents initially moved for attorney's fees and costs under the Lanham Act on June 23, 1999. *Silva*, 43 Fed. Appx. at 487. On July 6, 1999, the district court dismissed the motion "without prejudice to renew with sufficient information for the court to determine the reasonableness of the fees." *Id.* On July 21, 1999, the plaintiffs renewed their motion for attorney's fees, but the district court once again dismissed the motion for attorney's fees without prejudice to be renewed after the appeal on the merits before the Third Circuit. *Id.*

A third motion for attorney's fees was subsequently filed on June 30, 2000, but that was also denied without prejudice for failing to comply with the district court's earlier order. *Id.* Finally, the Respondents filed their fourth motion for attorney's fees and costs on August 31, 2002, which was granted by the district court on November 5, 2001. *Id.* The district court awarded $213,341.50 in attorney's fees and $81,792.39 in costs, including costs for travel to and from depositions and for transcripts. *Id.* The Petitioners filed a timely appeal to the Third Circuit. *Id.* The Third Circuit affirmed the district court's order awarding fees and costs on August 19, 2002. *Id.* at 489.

REASONS FOR GRANTING THE PETITION

There is a square conflict among the courts of appeals regarding the question presented. That conflict is starkly illuminated by the contrast between *Bandag, Inc. v. Al Bolster's Tire Stores*, 750 F.2d 903 (Fed. Cir. 1984) (In absence of any proof of actual damages, injunctive relief satisfies all of the equities of the case); *VIP Foods, Inc. v. Vulcan Pet, Inc.*, 675 F.2d 1106 (10th Cir. 1982) (Case is not exceptional

where plaintiff had suffered no ascertainable damage or loss of profits), *H.M.H. Co., Inc. v. Brincat*, 504 F.2d 713 (9th Cir. 1974), and the decision below. All of these cases involve the award of attorney's fees under the Lanham Act. The Third Circuit concluded that a finding of bad faith alone was sufficient to award attorney's fees even in the absence of pecuniary loss, while the Federal Circuit, Ninth Circuit and the Tenth Circuit require bad faith and pecuniary loss in order to recover attorney's fees under the Lanham Act. The Third Circuit recognized that other courts have rejected its approach. *See Ferrero U.S.A. v. Ozark Trading, Inc.*, 952 F.2d 44, 49-50 (3d Cir. 1991); *Silva v. Karlsen*, 43 Fed. Appx. 486 (3d Cir. 2002). This sharply different treatment of similarly situated cases creates a conflict that this Court should resolve.

I

THE THIRD CIRCUIT'S RULE CONFLICTS WITH THE DECISIONS OF OTHER COURT OF APPEALS THAT HAVE ADDRESSED THE ISSUE

The Federal Circuit, Ninth Circuit and the Tenth Circuit have addressed the issue and concluded that there must be both a finding of bad faith or willful infringement and pecuniary loss before awarding attorney's fees under the Lanham Act. *Bandag, Inc. v. Al Bolster's Tire Stores*, 750 F.2d 903 (Fed. Cir. 1984) (In absence of any proof of actual damages, injunctive relief satisfies all of the equities of the case); *VIP Foods, Inc. v. Vulcan Pet, Inc.*, 675 F.2d 1106 (10th Cir. 1982) (Case is not exceptional where plaintiff had suffered no ascertainable damage or loss of profits); *see also H.M.H. Pub. Co., Inc. v. Brincat*, 504 F.2d 713 (9th Cir. 1974). In *H.M.H. Pub. Co.*, the court found that

the defendant adopted plaintiff's mark with the intent of trading on plaintiff's good will. 504 F.2d at 715. The district court issued an injunction and awarded reasonable attorney's fees and costs to plaintiff. *Id.* at 716. However, the Ninth Circuit reversed. *Id.*

We have the same situation in the case at bar. The plaintiffs were awarded attorney's fees pursuant to the Lanham Act, based upon the district court's finding that defendants acted in bad faith in meta tagging their Internet sites. *SNA, Inc.*, 173 F. Supp. 2d at 350. It is clear, however, that the plaintiffs suffered no damages under the Lanham Act and were not awarded any damages by the district court under the Lanham Act. *Id*; *SNA, Inc.*, 51 F. Supp. 2d 554. The district court enjoined the use of "Seawind.net" and the Petitioners' use of using the term "Seawind" in meta tagging its web page. *Id.* The Respondents did not suffer any monetary damages as a result of that conduct. *Id.* The respondents asserted that attorney's fees were not warranted, because this cause was not an "exceptional" case, in that the Petitioners did not suffer any pecuniary loss or damages. *Id.*

However, the district court and the Third Circuit rejected the Petitioners' position and held that a finding of pecuniary loss was not required before a court could award attorney's fees under the Lanham Act. *SNA, Inc.*, 173 F. Supp. 2d 347; *Silva*, 43 Fed. Appx. 486. The Third Circuit standard, as set forth in the case below and in *Securacomm Consulting, Inc. v. Securacomm, Inc.*, 224 F.3d 273 (3d Cir 2000), only requires a plaintiff to show that the defendant acted in bad faith in order to recover attorney's fees under the Lanham Act. Unlike the Federal Circuit, Ninth Circuit and the Tenth Circuit, there is no requirement that the plaintiff prove that it sustained a pecuniary loss. As a result, the conflict in the

circuits is material to the decision in this case. If the Federal Circuit, Ninth Circuit and the Tenth Circuit's requirement of pecuniary loss had been applied in the case at bar, the Third Circuit would have had to reverse the judgment because the plaintiff did not prove that it suffered any pecuniary loss under its Lanham Act claims. Because of the clear conflict among the courts of appeal of the issue presented, certiorari should be granted.

CONCLUSION

For the reasons stated above, Petitioners respectively submit that this Court grant their Petition for Writ of Certiorari in this action.

Respectively submitted,

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APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT DATED AND FILED AUGUST 19, 2002

UNITED STATES COURT OF APPEALS,
THIRD CIRCUIT.

No. 01-4313.

Richard F. SILVA; SNA Inc.

v.

Douglas KARLSEN t/a Turbine Design Inc. a/k/a **Douglas** Jaworski
SNA, Inc.; Silva Enterprises Limited

v.

Paul Array; Horizon Unlimited
Douglas Karlsen, Turbine Design, Inc., Paul Array and Horizon Unlimited, Inc.,

Appellants

Argued July 23, 2002.

Filed Aug. 19, 2002.

On Appeal from the United States District Court for the Eastern District of Pennsylvania D.C. Civil Nos. 97-cv-03793 and 97-cv-07158. District Judge: The Honorable Marvin Katz.

Appendix A

Before SLOVITER, NYGAARD, and BARRY, Circuit Judges.

OPINION

BARRY, Circuit Judge.

Defendants **Douglas Karlsen**, Paul Array, and the companies they operate (Turbine Design, Inc., and Horizon Unlimited, respectively), appeal the District Court's award of attorneys fees and related costs to plaintiffs Richard Silva and the companies he operates, SNA, Inc., and Silva Enterprises, Ltd. The District Court had jurisdiction under 15 U.S.C. § 1117 ("Lanham Act"), which permits a district court to award attorneys fees in trademark infringement cases. We have jurisdiction under 28 U.S.C. § 1291 and will affirm.

I.

The facts underlying this contentious litigation are well known to the parties, and will only be reviewed here as is relevant to the particular issue raised. Plaintiffs filed their complaint in 1997, alleging breach of contractual obligations, defamation, civil conspiracy, and trademark, trade dress, and trade secret infringement. In 1999, the District Court ruled on plaintiffs' motion for a preliminary injunction, largely denying the requested relief but enjoining defendants Horizon Unlimited and Array from using a particular web site domain name that infringed upon plaintiffs' trademark. After a bench trial, the District Court made the injunction permanent, ruling in favor of plaintiffs on some of their claims, including contractual breach, civil conspiracy, and some trademark infringement, and granting compensatory and punitive

damages on the civil conspiracy claim. *See SNA, Inc. v. Array*, 51 F.Supp.2d 554 (E.D.Pa.1999) ("*Array I*"). We affirmed the District Court's judgment on the merits, directing plaintiffs to renew their fee application before the District Court. *SNA, Inc. v. Karlsen*, 259 F.3d 717 (3d Cir. 2001) (tbl.) ("***Karlsen***")

Plaintiffs initially moved for attorneys fees under the Lanham Act on June 23, 1999. On July 6, 1999, the District Court dismissed the motion "without prejudice to renew with sufficient information for the court to determine the reasonableness of the fees, specifically the time spent on unsuccessful claims that are distinct from successful claims and documentation of the time spent." Plaintiffs renewed their motion on July 21, 1999, but on September 7, 1999, the District Court again dismissed the motion without prejudice to renew following the determination of the merits appeal to this Court. That dismissal also required further identification of "legal fees actually paid by plaintiffs to the attorney. . . ." A third motion for fees was filed on June 30, 2000, but was again dismissed without prejudice, as it apparently did not satisfactorily comply with the District Court's September 7 order.

Plaintiffs' fourth motion, filed on August 31, 2001, was granted by the District Court on November 5, 2001. The District Court awarded $213,341.50 in attorneys fees and $81,792.39 in costs, including costs for travel to and from depositions and for transcripts. Defendants timely appealed.

Appendix A

II.

Defendants' first argument concerns the timeliness of plaintiffs' fourth motion for attorneys fees, the one that was ultimately successful. They suggest that because that fourth motion was filed more than ten days after final judgment on the merits, more than ten days after the Court denied the initial motion for fees, and more than ten days from the date on which the last order denying attorneys fees was entered, it was untimely under both Fed. R. Civ. Proc. 59(e) and Local Rule 7.1(g) of the Eastern District of Pennsylvania. We disagree.

It is utterly specious to suggest, as defendants apparently suggest, that a motion dismissed without prejudice must nevertheless then be refiled within the initial relevant time period. Moreover, we reject, at least in the circumstances of this case where the judgment on the merits did not deal with fees, that the motion for fees was one to alter the judgment and, thus, subject to the ten day rule. In any event, we affirmed that judgment and directed that the fees thereafter be addressed by the District Court. We saw no jurisdictional impediment then, and see none now. And, as a matter of common sense, we will not require a district court to finally resolve a motion denied without prejudice, ever if that motion is inadequately supported, only to be told that when the appropriate support is submitted, it comes "too late."

Appendix A

III.

Next, defendants argue that attorneys fees are not permitted because plaintiffs did not suffer monetary damages as a result of defendants' Lanham Act violations. This Court has not, however, required a showing of money damages before attorneys fees may be awarded. In *Ferrero U.S.A. v. Ozak Trading, Inc.*, 952 F.2d 44, 49-50 (3d Cir. 1991), a case invoked by defendants, we reversed an award of attorneys fees where the District Court had neglected to explain its finding that the case was "exceptional" under § 1117. We recognized that some courts considered the absence of damages "relevant" to the fee award determination, and that it might indeed "bear[ ] on the appropriateness of the attorneys' fees award." 952 F.2d at 47, 49. Nevertheless, because, unlike here, the "liability issue was a close one" and because there, unlike here, there was "no evidence demonstrating bad faith on the part of [defendant] so as to make this case exceptional," *id.* at 49, attorneys fees were not warranted.

The District Court, in awarding fees, relied on our recent decision in *Securacomm Consulting, Inc. v. Securacomm Inc.*, 224 F.3d 273 (3d Cir. 2000). Although we did not there explicitly address whether damages are required before fees can be awarded, we affirmed the fee award even absent an award of damages. Further, we noted that an award of attorneys fees is an equitable matter, and that we look to all the circumstances of the case in determining whether such fees should be granted. *Id.* at 281. We specified that the "culpable conduct" that might ground a fee award "may be broader than willful infringement"; indeed, no "successful

plaintiff whose claim is based on another form of infringement will necessarily be precluded from receiving attorney's fees." *Id.* at 280. Accordingly, the absence of damages is not fatal to a claim of attorneys fees and the District Court did not err in awarding fees here.

IV.

Finally, defendants argue that the motion for fees did not comply with this Court's requirements as set out in *Lindy Bros. Builders, Inc. of Philadelphia v. American Radiator and Standard Sanitary Corp.*, 487 F.2d 161 (3d Cir. 1973) ("*Lindy I*") and *Lindy Bros. Builders, Inc. of Philadelphia v. American Radiator and Standard Sanitary Corp.*, 540 F.2d 102 (3d Cir. 1976) ("*Lindy II*"). They argue, as well, that the fee award was excessive.

These arguments are unavailing. First, assuming the applicability in whole or in part of the *Lindy* cases, a district court is required to determine a reasonable hourly fee and a reasonable number of hours worked by the attorney. The District Court here explained specifically how it did so. Moreover, under *Hensley v. Eckerhart*, 461 U.S. 424, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983), a fee award for unsuccessfully litigated claims may be inappropriate. Here, the District Court discounted the award by one-third, based on its finding not only that legal services for unsuccessful claims should not be awarded, but also that services for successful claims on issues for which fees are generally not awarded (i.e., civil conspiracy and defamation) should be excluded as well. Indeed, the District Court's order denying the first motion for fees specifically requested that briefing

distinguish between successful and unsuccessful claims. The District Court also excluded hours where it was unclear how much time the primary attorney had in fact expended relative to her associates. And, to the extent that defendants argue that certain items were but should not have been considered and that the District Court did not sufficiently distinguish among the defendants vis-a-vis fees, we reject that argument. While certainly the District Court could have been more explicit, we are confident, given the District Court's lengthy experience with and intimate knowledge of this litigation, that its conclusion as to the appropriate amount of fees to be awarded was not an abuse of discretion.[1]

V.

For the foregoing reasons, the District Court's order of November 5, 2001 will be affirmed.

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1. We reject, without further discussion, defendants' claim that the District Court abused its discretion in awarding the costs for deposition-related travel and for transcripts.

APPENDIX B — MEMORANDUM AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA DATED AND FILED NOVEMBER 5, 2001

UNITED STATES DISTRICT COURT,
E.D. PENNSYLVANIA.

Nos. 97-7158, 97-3793.

SNA, INC. and Silva Enterprises Limited,

Plaintiffs,

v.

Paul ARRAY, et al.,

Defendants.

Richard F. Silva and SNA, Inc.,

Plaintiffs,

v.

Douglas Karlsen, a/k/a **Douglas** Jaworski t/a Turbine Design Inc.,

Defendant.

Nov. 5, 2001.

Appendix B

MEMORANDUM AND ORDER

KATZ, Senior District Judge.

Plaintiffs in the above-captioned case brought suit before this court alleging that defendants were liable for breach of contracts, defamation and commercial disparagement, trademark and trade dress infringement, unfair competition, interference with contractual relations and prospective business relations, and civil conspiracy. In a bench trial, plaintiffs prevailed against the defendants on their breach of contract, civil conspiracy, and defamation claims. Plaintiffs also prevailed against defendants for trademark infringement, and defendants were permanently enjoined from meta tagging plaintiffs' trademark. Now before the court is plaintiffs' petition for attorney's fees and costs. For the reasons set forth below, the plaintiffs are entitled to a total of $295,133.89 for attorney's fees and costs.

I. Discussion

A. Attorney's Fees

The Third Circuit set forth the appropriate standard for determining attorney's fees in *Lindy Bros. Builders, Inc. of Philadelphia v. American Radiator and Standard Sanitary Corp.*, 487 F.2d 161 (3d Cir.1973) (*Lindy I*), and *Lindy Bros. Builders, Inc. of Philadelphia v. American Radiator and Standard Sanitary Corp.*, 540 F.2d 102 (3d Cir.1976) (en banc) (*Lindy II*). In order to determine an appropriate attorney's fee, courts calculate a "lodestar" amount by

multiplying a reasonable hourly rate by the number of hours reasonably expended on successful claims. *Lindy I*, 487 F.2d at 167-68. When a party does not prevail on all claims, the fee is based on the hours reasonably expended on the successful claims. *Hensley v. Eckerhart*, 461 U.S. 424, 435, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983). The fee applicant has the burden of showing that the claimed rates and number of hours are reasonable. *Pennsylvania v. Delaware Valley Citizens' Council*, 478 U.S. 546, 564, 106 S.Ct. 3088, 92 L.Ed.2d 439 (3d Cir.1993).

Plaintiffs seek attorney's fees under section 35(a) of the Lanham Act. 15 U.S.C. § 1117. Under this section, the prevailing party in a trademark infringement action is entitled to recover reasonable attorney's fees in "exceptional cases." *Id.* According to the Third Circuit, an exceptional case exists where there is "culpable conduct on the part of the losing party, such as bad faith, fraud, malice, or knowing infringement. . . ." *Ferrero U.S.A. v. Ozak Trading, Inc.*, 952 F.2d 44, 47 (3d Cir.1991). Defendants argue that *Ferrero* requires both culpable conduct by the losing party *and* pecuniary loss in order for a plaintiff to recover a fee award. However, the Third Circuit recently affirmed a district court's award of attorney's fees under section 35(a) of the Lanham Act even though the prevailing party suffered no monetary damages. *Securacomm Consulting, Inc. v. Securacom Inc.*, 224 F.3d 273 (3d Cir.2000). In permanently enjoining defendants' meta tagging of the seawind trademark, this court ruled that defendants' actions were a "bad faith effort to confuse internet users. . . ." *SNA, Inc. v. Array*, 51 F.Supp. 2nd 554, 563 (E.D.Pa. 1999). The court finds that defendants'

culpable conduct qualifies this case as exceptional under section 35(a) of the Lanham Act. Therefore, plaintiffs are entitled to attorney's fees for their trademark infringement claim.

Plaintiffs also seek attorney's fees for their breach of contract claim. The contracts between plaintiffs and defendants allowed for recovery of attorney's fees in the event of breach. *See* Pls.'s Mot. for Att'y Fees, Ex. 1, 2. These contract provisions are enforceable under Pennsylvania law. *Krueger Assoc., Inc. v. ADT Sec. Sys.*, No. 93-1040, 2000 WL 10394, at *2 (E.D.Pa. Jan. 5, 2000) (quoting *Nationwide Energy Corp. v. Kleiser*, No. 84-3517, 1987 WL 10655, at *2-3 (E.D.Pa. May 7, 1987)). Therefore, plaintiffs are also entitled to attorney's fees for their breach of contract claim.

1. Reasonable Rate

Plaintiffs request an hourly rate of $190. A reasonable hourly rate is determined according to the prevailing market rates in the relevant community. *Loughner v. Univ. of Pittsburgh*, 260 F.3d 173, 180 (3d Cir.2001). In calculating this rate, a court should assess the experience and skill of the prevailing party's attorney and compare her rates to the rates prevailing in the community for similar services by lawyers of reasonably comparable skill, experience and reputation. *Maldonado v. Houstoun*, 256 F.3d 181, 184 (3d Cir.2001). The prevailing party bears the burden of establishing by way of satisfactory evidence, in addition to the attorney's own affidavits, that the requested hourly rates meet this standard. *Maldonado v. Houstoun*, 256 F.3d 181, 184 (3d Cir.2001). Plaintiffs' counsel has over fifteen years

of experience. Pls.'s Mem. in Support of Mot. for Att'y Fees at 6. Plaintiffs submitted an affidavit from an attorney with similar experience in the community who attests to the reasonableness of the $190 rate. Pls.'s Mot. for Att'y Fees, Ex. 4. Furthermore, defendants do not challenge this hourly rate as excessive. Therefore, based on its experience managing the litigation, the court finds that an hourly rate of $190 is reasonable and in accord with rates charged by other attorneys performing similar work.

2. Reasonable Number of Hours

In determining whether the hours claimed are reasonable, a district court "should review the time charged, decide whether the hours claimed were reasonably expended for each of the particular purposes described, and then exclude those that are 'excessive, redundant, or otherwise unnecessary.' " *Public Int. Research Group of N.J., Inc. v. Windall*, 51 F.3d 1179, 1188 (3d Cir.1995) (internal citation omitted). The court "should reduce the hours claimed by the number of hours spent litigating claims on which the party did not succeed, that were distinct from the claims on which the party did succeed, and for which the fee petition inadequately documents the hours claimed." *Loughner*, 260 F.3d at 178. The party opposing the fee award has the burden of challenging, with specificity, the reasonableness of the attorney's fee. *Id.* Furthermore, the court may not reduce an award based on factors not raised by the opposing party. *Id.* (quoting *Rode v. Dellarciprete*, 892 F.2d 1177, 1183 (3d Cir.1990)).

Appendix B

While the court finds that plaintiffs are entitled to attorney's fees for their successful claims, the court agrees with defendants that the hours are excessive. Plaintiffs request fees for 2021.77 hours totaling $384,136.30.[1] This court agrees with defendants that plaintiffs have failed to carry their burden in proving the reasonableness of all the hours claimed. On many occasions, plaintiffs' counsel, Ms. Silva, billed her client over 24 hours a day. On August 28, 1997, Ms. Silva billed 38.4 hours. Pls.'s Mem. in support of Mot. for Att'y Fees, Ex. 3. On September 2, 1997, Ms. Silva billed 33.1 hours. On October 27, 1997, Ms. Silva billed 38.4 hours. *Id.* In fact, Ms. Silva billed 39.5 hours for May 17, 1999, 27.3 hours for May 23, 1999, 37.2 hours for May 24, 1999, 29.2 hours for May 25, 1999, 31.9 hours for May 29, 1999, 24.3 hours for May 30, 1999, and 38.2 hours for June 1, 1999. *Id.* Ms. Silva explains that her firm employed a primitive computer software program, and that other attorneys used her log-on when working on the case. Pls.'s Reply Mem. to Defs.'s Objections to Pls.'s Mot. for Att'y Fees at 6-7. Therefore, even though the billing records appear to be excessive, the records simply reflect the labor of *all* the attorneys who worked on the case at Ms. Silva's firm. However, plaintiffs failed to distinguish between the work performed by Ms. Silva and the work performed by attorneys with less experience. Since plaintiffs failed to establish that all the attorneys who worked on these days have the same experience and skill as Ms. Silva, the court

1. Plaintiffs' counsel initially submitted fees for 2074.77 hours totaling $394,206.30. Pls.'s Mem. in Support of Mot. for Att'y Fees, Ex. 3,. However, plaintiffs' counsel withdrew 53 hours of duplicate billing. Support of Fee Petition, Ex. A.

will exclude these hours from the total claimed. Therefore, the total numbers of hours claimed should first be reduced by 337.5 hours for a total of 1684.27.

Defendants also argue that Ms. Silva is not entitled to attorney's fees for those claims that were unsuccessful. After comparing counsel's billings to her client with the request submitted to this court, it is apparent that plaintiffs' attorney is attempting to charge defendant for all her time on this case, not simply the time attributable to those parts of the case for which she may recover a fee. The court finds that plaintiffs may not recover for the unrelated, unsuccessful claims of interference with contractual relations, interference with prospective business relations and commercial disparagement. Furthermore, the court finds that plaintiffs' may not recover a fee award for their successful civil conspiracy and defamation claims. *See Restatement (Second) of Torts* § 914(1) ("The damages in a tort action do not ordinarily include compensation for attorney fees or other expenses of the litigation."). Based on this court's experience in managing the litigation and reviewing the appellate record, a reasonable number of hours spent to litigate those claims for which a fee may be recovered is 1122.85, which is two-thirds of the reduced total. Therefore, the plaintiffs are entitled to recover $213,341.50 in attorney's fees.

Appendix B

B. Costs

1. Expert Witness Fees

In addition to attorney's fees, plaintiffs have also petitioned the court for $95,675.89 in costs. Defendants object to the $6,068.50 expert witness fees paid to Alex Sluzas of Paul & Paul and $4,350.00 paid to the Center for Forensic Economic Studies. Under 28 U.S.C.A. § 1821(b), witnesses are entitled to a $40 attendance fee. The Supreme Court has ruled that, "a federal court is bound by the limit of § 1821(b), absent contract or explicit statutory language to the contrary." *Crawford Fitting Co. v. J.T. Gibbons, Inc.*, 482 U.S. 437, 439, 107 S.Ct. 2494, 96 L.Ed.2d 385(1987). The Lanham Act does not explicitly provide for the award of expert witness fees. *See e.g., Nugget Distributors Co-op. of America v. Mr. Nugget, Inc.*, 145 F.R.D. 54 (E.D.Pa.1992). However, in the Third Circuit a district court has equitable discretion to award expert witness fees above the statutory amount if "the expert's testimony is indispensable to determination of the case." *See West Virginia University Hospitals v. Casey*, 885 F.2d 11, 33 (3d Cir.1989). The court finds that the testimony of Mr. Sluzas and the forensic CPA were not indispensable to the determination of the case; therefore, plaintiffs are not entitled to reimbursement for these expenses.[2]

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2. While 28 U.S.C.A. § 1821 allows for attendance fees and travel expenses for witnesses, plaintiffs have not submitted documentation establishing the number of hours these witnesses testified in depositions and at trial or their travel expenses. Therefore, the plaintiffs have failed to meet their burden in proving costs with respect to these witnesses.

2. Transcripts

Defendant's challenge plaintiffs request for $12,507.00 reimbursement for the cost of transcripts. A prevailing party may recover fees "for all or any part of the stenographic transcript necessarily obtained for use in the case." 28 U.S.C. § 1920(2). Defendants argue that plaintiff's failed to prove that these copies were necessary. Under the Federal Rules of Appellate Procedure, a district court may tax transcripts as costs if they are "needed to determine the appeal." Fed. R. App. P. 39(e). The court finds that plaintiffs are entitled to recover the costs of the trial transcripts because they were necessary for the appellate phase of the case. However, there is a duplicate charge of $3,465.00 dated July 26, 1999, that will be subtracted from the total costs. Pls.'s Mem. in Support of Mot. for Att'y Fees, Ex. 3.

3. Travel Costs

Defendants argue that the plaintiffs are not entitled to recover travel costs to and from depositions. Under the Lanham Act, plaintiffs are entitled to recover the "costs of the action." 15 U.S.C.A § 1117(a). These costs may include travel expenses to and from depositions. *See JTH Tax, Inc. v. H & P Block Eastern Tax Services*, 128 F.Supp.2d 926, 947 (E.D.Va.2001). The court finds that plaintiffs are entitled to reimbursement for deposition travel expenses.

II. Conclusion

Plaintiffs are entitled to recover $213,341.50 in attorney's fees and $81,792.39 in costs.